

**STATEMENT OF
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SECRETARY OF THE INTERIOR
BEFORE THE
COMMITTEE ON NATURAL RESOURCES
UNITED STATES HOUSE OF REPRESENTATIVES**

**THE FUTURE OF U.S. OIL AND NATURAL GAS DEVELOPMENT
ON
FEDERAL LANDS AND WATERS
November 16, 2011**

Chairman Hastings, Ranking Member Markey, and Members of the Committee, I am pleased to appear before you today to discuss important components of our domestic energy future: the Proposed Outer Continental Shelf Oil and Gas Leasing Program for 2012-2017; and hydraulic fracturing and the Department of the Interior's role in facilitating the responsible development of our nation's natural gas resources.

Introduction

As the President has stressed, the Administration is committed to promoting safe and responsible domestic oil and gas production as part of a broad energy strategy that will protect consumers and reduce our dependence on foreign oil. When President Obama took office, America imported 11 million barrels of oil a day. The President has put forward a plan to cut that by one-third by 2025, and we are on the right path. We are already making progress towards that goal. Overall, oil imports have fallen by 9 percent since 2008, and net imports as a share of total consumption declined from 57 percent in 2008 to less than 50 percent in 2010. The Department of the Interior (DOI) plays an important role in advancing domestic production.

To encourage production, the Administration is taking a series of steps to leverage existing authorities. These initiatives are part of the Administration's overall *Blueprint for a Secure Energy Future*, a broad effort to reduce our dependence on oil by producing more oil and natural gas at home and using cleaner, alternative fuels and improving our energy efficiency.

America's public lands and Federal waters provide resources that are critical to the Nation's energy security. At the Department of the Interior, we are expanding development of cleaner sources of energy, including renewables like wind, solar, and geothermal, as well as natural gas on public lands. The Administration is also working to facilitate the development of advanced coal technologies.

Domestic oil and gas production remain critical to our energy supply and to reducing our dependence on foreign oil; their development enhances our energy security and fuels our Nation's economy.

Recognizing that America's oil supplies are limited, we must develop our domestic resources safely, responsibly, and efficiently, while at the same time taking steps that will ultimately lessen

our reliance on oil. We are making significant progress toward these ends. Total U.S. crude oil production was higher in 2010 than in any year since 2003. Oil production from the federal OCS increased by a third from 2008 to 2010. Oil production from onshore public lands increased 5 percent from 2009 to 2010. U.S. natural gas production is up 7 percent from 2008, and is at its highest level in more than 30 years.

We are working hard to build on this success. In 2010, the Bureau of Land Management (BLM) held 33 oil and gas lease sales covering 3.2 million acres and in 2011, BLM scheduled an additional 32 lease sales and has held 28 to date. The BLM has scheduled an additional 33 lease sales for 2012. In 2010, the Department offered 37 million offshore acres in the Gulf of Mexico for oil and gas exploration and production. And the 2012-2017 Outer Continental Shelf (OCS) Oil and Gas Leasing Proposed Program, discussed in more detail below, makes more than 75 percent of undiscovered technically recoverable oil and gas estimated on the OCS available for development.

2012-2017 Offshore Oil and Gas Development Program

Here at the Department we have put in place a new set of rigorous standards for safety and responsibility for the development of oil and gas resources on the Outer Continental Shelf. These reforms to offshore oil and gas regulation and oversight are the most extensive in U.S. history, and strengthen requirements for everything from well design and workplace safety to corporate accountability. They are helping to ensure that the United States can safely and responsibly expand development of its energy resources consistent with our stewardship responsibilities.

Expanding safe and responsible oil and gas production from the OCS is a key component of our comprehensive energy strategy to grow America's energy economy, and will help us continue to reduce our dependence on foreign oil and create jobs here at home.

As I mentioned above, the Proposed OCS Program for 2012-2017 will advance safe and responsible domestic energy exploration and production by making available for development more than three-quarters of undiscovered oil and gas resources estimated on the OCS, and includes substantial acreage for lease in regions with known potential for oil and gas development. This Proposed Program promotes responsible development and is informed by lessons learned from the *Deepwater Horizon* tragedy and the reforms that we have implemented to make offshore drilling safer and more environmentally responsible.

A key part of safe and responsible development of our oil and gas resources is recognizing that different environments and communities require different approaches and technologies. The Proposed Program reflects this recognition, and accounts for issues such as current knowledge of resource potential, adequacy of infrastructure including oil spill response capabilities, Department of Defense priorities, and the need for a balanced approach to our use of natural resources. The majority of lease sales are scheduled for areas in the Gulf of Mexico, where resource potential and interest is greatest and where infrastructure is most mature. But it also includes frontier areas, such as the Arctic, where we must proceed cautiously, safely, and based on the best science available.

In Alaska and off its coast, the Proposed Program recommends that the current inventory of already-leased areas in the Arctic should be expanded only after additional evaluations have been completed, and in a manner that accounts for the Arctic's unique environmental resources and the social, cultural, and subsistence needs of Native Alaskan communities.

Natural Gas and Hydraulic Fracturing

Onshore, our large reserves of natural gas, including significant reserves contained in underground shale deposits, play a vital role in our energy future.

I previously mentioned that natural gas is an abundant, domestic fuel. The Bureau of Land Management alone oversees approximately 700 million acres of onshore subsurface mineral estate throughout the Nation and many of those lands contain natural gas deposits. Development of these natural gas resources has the potential to create jobs.

Recent technology and operational improvements in extracting natural gas resources, particularly shale gas, have increased gas drilling activities nationally and led to significantly higher natural gas production estimates for decades to come. Hydraulic Fracturing, or "fracking," is a common technique that has been used in oil and gas production operations for decades. Recent technological advances in fracking have allowed industry to produce from reserves that previously would have been inaccessible. Fracking is also used today by industry to increase a well's ability to produce gas or oil in commercial quantities. After drilling into the reservoir's rocks that contain hydrocarbons, producers then use hydraulic fracturing to create a crack or fracture so that oil and gas can more freely flow and thus increase production.

According to the BLM, over the last decade, leasing and exploration activities on BLM managed public lands has focused mainly on the development of natural gas resources. The number of wells stimulated by hydraulic fracturing techniques has been steadily increasing over the years as oil and gas producers are developing geologic formations that are less permeable than those drilled in the past. The BLM recently estimated that approximately 90 percent of the wells drilled on public lands that it manages are stimulated by hydraulic fracturing techniques.

While operators are required by BLM regulations to ensure at all times that water supplies are free or protected from contamination during drilling and subsequent activities, the increasing use of hydraulic fracturing has raised a number of concerns about the potential impacts on water quality and availability, particularly with respect to the chemical composition of fracturing fluids and the methods used.

As we continue to increase production of this important domestic energy resource, we are also taking steps to address concerns that have been raised regarding potential environmental impacts associated with these practices.

While my remarks focus on what we have been doing at the Department of the Interior, I should stress that this is an Administration-wide effort. We are working closely with the Department of Energy's Office of Fossil Fuels and the Environmental Protection Agency in its study on the question of potential water contamination issues associated with hydraulic fracking.

Department of the Interior Actions

The Department has already undertaken a number of efforts to explore and address some of the concerns about the potential negative impacts of fracking.

Last November, I hosted a forum on hydraulic fracturing to examine best practices to ensure that natural gas on public lands is developed in a safe and environmentally sustainable manner. The forum brought together major stakeholders to develop a way forward on natural gas so that the United States can safely and fully realize the benefits of this important energy resource.

Following that forum, the BLM hosted a series of regional public meetings in North Dakota, Colorado, and Arkansas—states that have experienced significant increases in natural gas development on Federal lands or on leases issued by the BLM—to discuss the use of hydraulic fracturing and how we can ensure that robust natural gas development can continue on our public lands.

Throughout the past year, we have continued to work closely with industry, other federal agencies and the public, closely evaluating the suite of existing BLM regulations governing oil and gas development and considering whether updates to those regulations may be warranted, given the substantial increase in domestic production in recent years.

BLM's current regulations specific to hydraulic fracturing – or stimulation operations – are in many ways outdated; they were written in 1982; and they reflect neither the significant technological advances in hydraulic fracturing nor the tremendous growth in its use that has occurred in the last 30 years.

Additionally, the outreach efforts we have made over the past year have highlighted strong public interest in additional information about hydraulic fracturing techniques, including the composition of the fluids that are being used. As a result, BLM is considering revisions to its current regulations that would address disclosure of the chemicals used in the hydraulic fracturing process with necessary provisions related to protecting trade secrets.

We are aware of a number of existing efforts underway in certain states and of the national website, FracFocus (<http://fracfocus.org/>), that provides a forum for developers to voluntarily disclose some information. We are evaluating the various state requirements and FracFocus and are looking at how best BLM might put in place a disclosure system that is not duplicative but still protects the important resource values that BLM is tasked with managing.

Our experience with the Deepwater Horizon oil spill and our extensive outreach efforts over the course of the past year have confirmed that wellbore integrity is of paramount importance in guarding against the smallest leak to catastrophic well failures. For this reason, BLM is also looking at wellbore integrity as a means to minimize the risk of fracturing fluid leaking into water sources. In addition, we are evaluating whether it would be beneficial to amend existing requirements that govern the management of water that is produced following development.

We recognize that a number of states around the country already have in place important requirements to ensure the safety and environmental performance of hydraulic fracturing.

As we move forward, we will continue to work closely with industry, other Federal agencies, state agencies, tribes, and the public to evaluate how best to update our requirements to reflect

modern technology while ensuring natural gas plays a robust role in our domestic energy portfolio and is developed in a way that protects our public lands.

Conclusion

The Department is working to secure our energy future by ensuring the potential for clean energy development on our public lands and waters is realized. And we are pursuing the safe and responsible development of our conventional energy resources here at home.

Mr. Chairman, thank you again for the opportunity to be here today to discuss the Department of the Interior's commitment and efforts to reduce our dependence on foreign oil and create jobs through the development of these important energy resources. I am happy to answer any questions that you or the Committee may have.